

CITY OF SUMNER
FINANCIAL STATEMENTS
JUNE 30, 2009

CITY OF SUMNER

INDEPENDENT AUDITOR'S REPORT

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

AUDITOR'S REPORT ON COMPLIANCE, COMMENTS AND RECOMMENDATIONS

JUNE 30, 2009

City of Sumner
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City of Sumner

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Walke	Mayor	January 2012
Dr. Richard Haw	Mayor Pro Tem	January 2010
Linda Meier	Council Member	January 2010
Dave Meighan	Council Member	January 2010
Billy Lehmkuhl	Council Member	January 2012
Jackie Schlatter	Council Member	January 2012
Lisa Oberbroeckling	City Clerk	Indefinite
Marlowe Hoth	Public Works Director	Indefinite
Michael Stoessel	Treasurer	Indefinite
David Engelbrecht	City Attorney	Indefinite
Dennis Cain	Chief of Police	Indefinite
Tim Duhrkopf	Fire Chief	Indefinite

CITY OF SUMNER



SHAFFER COMPANY, P.C.

Certified Public Accountant

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Sumner, Iowa 50674
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Member AICPA and ISCPA

A Professional Corporation

Roger L. Shaffer, C.P.A.

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sumner's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my reports dated May 27, 2010, on my consideration of the City of Sumner's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinions on the financial statements that collectively comprise the City of Sumner's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SHAFFER COMPANY, P.C.

Shaffer Company, P.C.

Sumner, Iowa

May 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sumner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 7.7%, or approximately \$104,000, from fiscal 2008 to fiscal 2009.
- Disbursements increased 8.2%, or approximately \$91,000, in fiscal 2009 from fiscal 2008.
- The City's total cash basis net assets increased .9%, or approximately \$20,400, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$55,700 and the assets of the business type activities decreased by approximately \$35,300.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and refuse pickup and transportation to the county owned landfill. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out to those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and sanitation funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

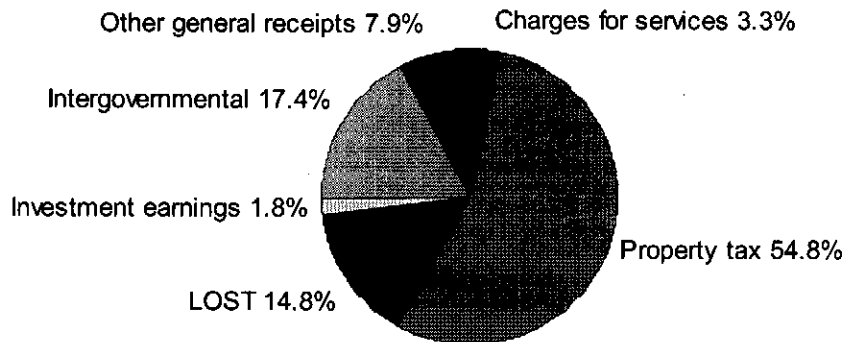
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.476 million to \$1.532 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

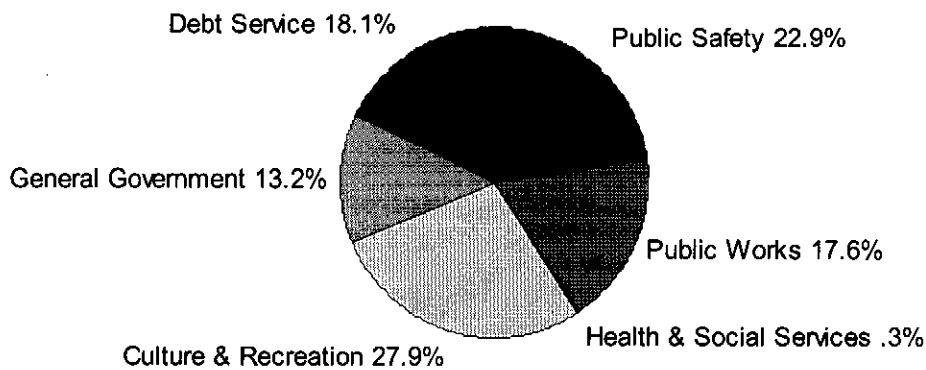
GOVERNMENTAL ACTIVITIES

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
	Year ended June 30,		
	2009	2008	2007
Receipts:			
Program receipts:			
Charges for services	\$ 41	37	39
General receipts:			
Property tax	684	737	685
Local option sales tax	185	187	162
Unrestricted investment earnings	23	55	104
Intergovernmental	217	223	217
Other general receipts	98	113	96
Total receipts	1,248	1,352	1,303
Disbursements:			
Public Safety	276	271	385
Public Works	212	196	208
Health & Social Services	4	0	0
Culture & Recreation	337	284	276
General Government	159	155	131
Debt Service	218	209	210
Capital Projects	0	0	37
Total disbursements	1,206	1,115	1,247
Change in cash basis net assets before transfers	42	237	56
Transfers, net	14	(99)	(11)
Change in cash basis net assets	56	138	45
Cash basis net assets beginning of year	1,476	1,338	1,293
Cash basis net assets end of year	\$ 1,532	1,476	1,338

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased by 7.7%, or \$104,000. The total cost of all programs and services increased by approximately \$91,000, or 8.2%.

The City decreased property tax rates from \$12.804 per \$1,000 of taxable valuation in 2008 to \$12.752 for 2009. Since taxable valuations were up, property taxes were up 14.7% or \$78,400 from 2008 to 2009. Property tax receipts, excluding tax increment financing (TIF), were \$610,000 for 2009. Taxes raised from TIF decreased from \$205,300 in 2008 to \$74,400 in 2009, a 63.8% decrease.

The cost of all governmental activities this year was \$1.206 million compared to \$1.115 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$947,800 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest.

BUSINESS TYPE ACTIVITIES

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)				
		Year ended June 30,		
		2009	2008	2007
Receipts:				
Program receipts:				
Charges for services				
Water	\$	161	130	127
Sewer		360	371	367
Sanitation		182	180	181
General receipts:				
Unrestricted interest on investments		5	13	19
Intergovernmental		39	0	0
Bond & Loan proceeds		110	0	65
Other general receipts		7	7	7
Total receipts		864	701	766
Disbursements:				
Water		140	157	134
Sewer		362	353	532
Sanitation		384	287	170
Total disbursements		886	797	836
Change in cash basis net assets before transfers		(22)	(96)	(70)
Operating transfers in (out), net		(14)	99	11
Change in cash basis net assets		(36)	3	(59)
Cash basis net assets beginning of year		861	858	917
Cash basis net assets end of year	\$	825	861	858

Total business type activities receipts for the fiscal year were \$864,000 compared to \$701,000 last year. The cash balance decreased by approximately \$36,000 from the prior year. Total disbursements for the fiscal year increased by 11.2% to a total of \$886,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sumner completed the year, its governmental funds reported a combined fund balance of \$1.532 million, an increase of \$56,000 above last year's total of \$1.476 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$28,000 from the prior year to \$336,000.
- The Road Use Tax Fund cash balance increased by \$10,800 to \$343,600 during the fiscal year. The City intends to use this money to upgrade the condition of all the City's roads.
- At the end of the fiscal year, the cash balance of the Special Revenue Fund (Employees' Benefit) was \$14,800, an increase of \$12,500 from the previous year.
- The Special Revenue Fund (Local Option Sales Tax) cash balance increased by \$83,000 to \$429,800 during the fiscal year. This fund is being allowed to grow in order to call some bonds in the near future.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

For the propriety funds, the City reported a combined fund balance of \$825,300, a decrease of approximately \$35,200 when compared to last year's total of \$860,500. The following are the major reasons for the changes in fund balances from the prior year.

- The Water Fund cash balance increased by \$27,000 to \$242,600.
- The Sewer Fund cash balance increased by \$2,800 to \$443,500.
- The Sanitation Fund cash balance decreased by \$65,000 to \$139,300. The net decrease was the result of purchasing a building and equipment for the recycling center costing \$188,059 and the sale of a note in the amount of \$110,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. This amendment was approved on May 16, 2009 to provide for additional revenues and disbursements in certain City departments. The largest increase in the budget amendment was for the capital projects mentioned above for the Sanitation Fund. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$16,900 more than budgeted. This was primarily due to the City receiving more in property taxes, local option sales taxes, and miscellaneous receipts than budgeted.

While total disbursements were \$71,600 under the amended budget, disbursements for the function of culture and recreation exceeded its amended budget.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$3.377 million in bonds and other long-term debt, compared to approximately \$3.556 million last year, as shown below:

		Outstanding Debt at Year-End (Expressed in Thousands)		
		Year ended June 30,		
		2009	2008	2007
General obligation bonds - Fire Station	\$	135	165	195
General obligation bonds - Streetscape & Refunding		830	960	1,090
General obligation - Solid Waste Disposal Note		98	0	0
Sewer revenue bonds		2,314	2,431	2,557
Total	\$	3,377	3,556	3,842

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property, excluding agriculture land valuations and before rollback, within the City's corporate limits. The City's outstanding general obligation debt of \$1.063 million is significantly below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Sumner's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase.

These indicators were taken into account when adopting the budget for fiscal year 2010. The City adopted property tax rates of \$12.958 per \$1,000 of taxable valuation for 2010 compared to \$12.752 for 2009. Amounts available for appropriation in the operating budget are \$1.888 million, a decrease of 12.7% over the final 2009 budget. Budgeted disbursements are expected to fall by approximately \$274,400.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$103,000 by the end of the City's next fiscal year end.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Oberbroeckling, City Clerk, 105 East First Street, Sumner, Iowa.

CITY OF SUMNER
Basic Financial Statements

City of Sumner

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Restricted Interest	Capital Grants Restricted Interest
Governmental activities:				
Public safety	\$ 275,775	0	15,100	0
Public works	212,305	0	179,252	0
Health & Social Services	3,600	0	0	0
Culture and recreation	337,136	40,975	22,602	0
Community and economic development	0	0	0	0
General government	159,297	0	0	0
Debt service	217,656	0	0	0
Capital projects	0	0	0	0
Total governmental activities	1,205,769	40,975	216,954	0
Business type activities:				
Water	140,042	160,796	0	0
Sewer	361,439	360,018	0	0
Sanitation	383,685	181,796	0	39,322
Total business type activities	885,166	702,610	0	39,322
Totals	\$ 2,090,935	743,585	216,954	39,322
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted				
Debt service				
Unrestricted				
Total Cash Basis Net Assets				

See notes to financial statements.

Exhibit A

Governmental Activities	Business Type Activities	Total
(260,675)	0	(260,675)
(33,053)	0	(33,053)
(3,600)	0	(3,600)
(273,559)	0	(273,559)
0	0	0
(159,297)	0	(159,297)
(217,656)	0	(217,656)
0	0	0
(947,840)	0	(947,840)
0	20,754	20,754
0	(1,421)	(1,421)
0	(162,567)	(162,567)
0	(143,234)	(143,234)
(947,840)	(143,234)	(1,091,074)
610,021	0	610,021
74,360	0	74,360
185,125	0	185,125
23,269	4,673	27,942
0	110,000	110,000
96,818	7,250	104,068
13,953	(13,953)	0
1,003,546	107,970	1,111,516
55,706	(35,264)	20,442
1,476,547	860,582	2,337,129
\$ 1,532,253	825,318	2,357,571
\$	100,000	100,000
1,532,253	725,318	2,257,571
\$ 1,532,253	825,318	2,357,571

City of Sumner

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

		Special Revenue
	General	Road Use Tax
Receipts:		
Property tax	\$ 469,458	0
Tax Increment Financing (TIF) receipts	0	0
Other city tax	0	0
Licenses and permits	5,865	0
Use of money and property	11,173	0
Intergovernmental	42,220	174,734
Charges for services	40,975	0
Miscellaneous	86,737	0
Total receipts	656,428	174,734
Disbursements:		
Operating:		
Public Safety	207,609	0
Public Works	24,087	163,948
Health & Social Services	3,600	0
Culture & Recreation	305,409	0
General Government	152,489	0
Debt Service	0	0
Capital Projects	0	0
Total disbursements	693,194	163,948
Excess of receipts over disbursements	(36,766)	10,786
Other financing sources (uses):		
Operating transfers in	65,096	0
Operating transfers out	0	0
Total other financing sources (uses)	65,096	0
Net change in cash balances	28,330	10,786
Cash balances beginning of year	307,645	332,795
Cash balances end of year	\$ 335,975	343,581
Cash Basis Fund Balances		
Unreserved:		
General fund	\$ 335,975	0
Special revenue funds	0	343,581
Debt service	0	0
Capital projects funds	0	0
Permanent fund	0	0
Total cash basis fund balances	\$ 335,975	343,581

See notes to financial statements.

Exhibit B

Special Revenue				
Employees' Benefits	Local Option Sales Tax	Debt Service	Other Nonmajor Governmental Funds	Total
140,563	0	0	0	610,021
0	0	0	74,360	74,360
0	185,125	0	0	185,125
0	0	0	0	5,865
0	6,580	0	5,516	23,269
0	0	0	0	216,954
0	0	0	0	40,975
0	0	0	4,216	90,953
140,563	191,705	0	84,092	1,247,522
68,166	0	0	0	275,775
24,270	0	0	0	212,305
0	0	0	0	3,600
28,821	0	0	2,906	337,136
6,808	0	0	0	159,297
0	0	217,656	0	217,656
0	0	0	0	0
128,065	0	217,656	2,906	1,205,769
12,498	191,705	(217,656)	81,186	41,753
0	0	217,706	0	282,802
0	(108,643)	0	(160,206)	(268,849)
0	(108,643)	217,706	(160,206)	13,953
12,498	83,062	50	(79,020)	55,706
2,294	346,742	0	487,071	1,476,547
14,792	429,804	50	408,051	1,532,253
0	0	0	0	335,975
14,792	429,804	0	134,321	922,498
0	0	50	0	50
0	0	0	210,092	210,092
0	0	0	63,638	63,638
14,792	429,804	50	408,051	1,532,253

City of Sumner

Exhibit C

**Statement of Cash Receipts, Disbursement and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Charges for service	\$ 160,796	360,018	181,796	702,610
Total operating receipts:	160,796	360,018	181,796	702,610
Operating disbursements:				
Business type activities	140,042	164,417	195,626	500,085
Excess (deficiency) of operating receipts over (under) operating disbursements	20,754	195,601	(13,830)	202,525
Non-operating receipts (disbursements)				
Use of money and property	1,693	2,525	455	4,673
Intergovernmental	0	0	39,322	39,322
Miscellaneous	4,528	1,729	993	7,250
General obligation note proceeds	0	0	110,000	110,000
Debt service	0	(197,022)	0	(197,022)
Capital projects	0	0	(188,059)	(188,059)
Net non-operating receipts (disbursements)	6,221	(192,768)	(37,289)	(223,836)
Excess (deficiency) of receipts over (under) disbursements	26,975	2,833	(51,119)	(21,311)
Operating transfers in (out), net	0	0	(13,953)	(13,953)
Net change in cash balances	26,975	2,833	(65,072)	(35,264)
Cash balances beginning of year	215,620	440,623	204,339	860,582
Cash balances end of year	\$ 242,595	443,456	139,267	825,318
Cash Basis Fund Balances				
Reserve for debt service	\$ 0	100,000	0	100,000
Unreserved	242,595	343,456	139,267	725,318
Total cash basis fund balances	\$ 242,595	443,456	139,267	825,318

See notes to financial statements.

CITY OF SUMNER

Notes to the Financial Statements

City of Sumner
Notes of Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Sumner is a political subdivision of the State of Iowa located in Bremer and Fayette Counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements and general administrative service. The City also provides water, sewer and sanitation for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Sumner has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

City of Sumner
Notes of Financial Statements
June 30, 2009

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Sumner
Notes of Financial Statements
June 30, 2009

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursement, the fixed charges and the capital improvement costs that are not paid for other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account of the collection of the one percent sales tax and its uses.

The Employees' Benefits Fund is used to account for the collection of payroll taxes and provide social security and medicare, IPERS, and health insurance benefits to its employees.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation system.

City of Sumner
Notes of Financial Statements
June 30, 2009

C. Measurement Focus and Basis of Accounting

The City of Sumner maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the function of Culture and Recreation.

(2) Deposits and Investments

The City's deposits and investments at June 30, 2009, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

City of Sumner
Notes of Financial Statements
June 30, 2009

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	189,000	41,345	122,000	75,205	311,000	116,550
2011	249,000	33,341	126,000	71,240	375,000	104,581
2012	180,000	25,127	130,000	67,145	310,000	92,272
2013	185,000	18,233	135,000	62,920	320,000	81,153
2014	85,000	10,924	139,000	58,533	224,000	69,457
2015	85,000	7,440	143,000	54,015	228,000	61,455
2016	90,000	3,870	148,000	49,367	238,000	53,237
2017	0	0	153,000	44,558	153,000	44,558
2018	0	0	158,000	39,585	158,000	39,585
2019	0	0	163,000	34,450	163,000	34,450
2020 and after	0	0	897,000	89,310	897,000	89,310
TOTALS	1,063,000	140,280	2,314,000	646,328	3,377,000	786,608

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

City of Sumner

Notes of Financial Statements

June 30, 2009

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$458,792, payable through June 2016. For the current year, interest paid and total TIF receipts were \$17,402 and \$74,360, respectively. These bonds are part of the streetscape and refunding bonds issued in August of 2005.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3.1 million in sewer revenue notes issued in October 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require a majority of net sewer receipts. The total principal and interest remaining to be paid on the notes is \$2,960,328. For the current year, principal and interest paid and total customer net receipts were \$197,022 and \$195,601, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to the sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary except for police employees, in which case the percentages are 5.63% and 8.45%, respectively. These rates tend to change from year to year. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$32,907, \$30,923, and \$29,737, respectively, equal to the required contributions for each year.

City of Sumner
Notes of Financial Statements
June 30, 2009

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	22,658
Sick Leave *	43,195
Total	65,853

* Sick leave is not payable upon termination, retirement or death.

This liability has been computed based on rates of pay as of June 30, 2009.

(6) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2009, disbursements in the Culture and Recreation function exceeded the amount budgeted.

(7) Litigation

Potential Claims

Ordinances 320 and 322 were not approved as required by Iowa Code. During the year ended June 30, 2009, the City started collecting the fees as established under these two ordinances. To correct the oversight, the City has approved ordinances 324 and 325 to ratify both 320 and 322. The new ordinances became effective on May 27, 2010. At this time, it is unknown if any liability exists from this oversight.

The City had no other pending litigation, claims, or assessments at June 30, 2009.

City of Sumner
Notes of Financial Statements
June 30, 2009

(8) Risk Management

The City of Sumner is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Related Party Transactions

The City had business transactions between the City and the City's officials and employees totaling \$6,497 during the year ended June 30, 2009.

(10) Special Investigation

I performed a special investigation of the City of Sumner for the period July 1, 2007 through June 30, 2008. The special investigation report dated January 15, 2009 identified \$2,814.28 of undeposited collections during this period. As of June 30, 2009, the City has received restitution in the amount of \$216. The amount that still remains unpaid, including court fees and interest, is \$4,376 as of June 30, 2009.

Copies of the special investigation report have been filed with the Bremer County Attorney's Office, the Division of Criminal Investigation, Attorney General's Office, and the Office of Auditor of State. A copy of the report is available for review on the Auditor of State's web site at <http://auditor.iowa.gov/reports/search.php>.

City of Sumner
Notes of Financial Statements
June 30, 2009

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue Urban Renewal TIF	57,596
General	Capital Projects Project Reach	7,500
Debt Service	Special Revenue Urban Renewal TIF	66,159
Debt Service	Special Revenue Local Option Sales Tax	108,643
Debt Service	Capital Projects Streetscape	28,951
Debt Service	Enterprise Sanitation	13,953

CITY OF SUMNER

Required Supplementary Information

City of Sumner
 Budgetary Comparison Schedule
 Of Receipts, Disbursements, and Change in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 610,021	0
Tax Increment Financing (TIF) receipts	74,360	0
Other city tax	185,125	0
Licenses and permits	5,865	0
Use of money and property	23,269	4,673
Intergovernmental	216,954	39,322
Charges for services	40,975	702,610
Miscellaneous	90,953	7,250
Total receipts	1,247,522	753,855
Disbursements:		
Public Safety	275,775	0
Public Works	212,305	0
Health & Social Services	3,600	0
Culture & Recreation	337,136	0
General Government	159,297	0
Debt Service	217,656	0
Business type activities	0	885,166
Total disbursements	1,205,769	885,166
Excess of receipts over disbursements	41,753	(131,311)
Other financing sources, net	13,953	96,047
Excess of receipts and other financing sources over disbursements and other financing uses	55,706	(35,264)
Balances beginning of year	1,476,547	860,582
Balances end of year	\$ 1,532,253	825,318

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance	Net as % of Final Budget
610,021	603,152	603,152	6,869	1%
74,360	66,402	66,402	7,958	12%
185,125	177,736	177,736	7,389	4%
5,865	5,180	5,180	685	13%
27,942	43,500	33,500	(5,558)	-17%
256,276	237,392	272,392	(16,116)	-6%
743,585	771,856	795,856	(52,271)	-7%
98,203	29,300	30,300	67,903	224%
2,001,377	1,934,518	1,984,518	16,859	1%
275,775	286,795	295,480	19,705	7%
212,305	227,236	229,236	16,931	7%
3,600	9,200	9,200	5,600	61%
337,136	260,481	299,281	(37,855)	-13%
159,297	175,196	185,196	25,899	14%
217,656	203,303	221,303	3,647	2%
885,166	672,857	922,857	37,691	4%
2,090,935	1,835,068	2,162,553	71,618	3%
(89,558)	99,450	(178,035)		
110,000	0	92,000		
20,442	99,450	(86,035)		
2,337,129	2,303,584	2,337,129		
2,357,571	2,403,034	2,251,094		

City of Sumner

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Disbursements for the Proprietary Funds are required to be budgeted. During the year, a budget amendment increased budgeted disbursements by \$327,485. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation function.

CITY OF SUMNER

CITY OF SUMNER

Other Supplementary Information

City of Sumner

Schedule 1

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue	Capital Projects	Capital Projects	Permanent	
	Urban Renewal Tax Increment	Streetscape	Project Reach	Cemetery Perpetual Care	Total
Receipts:					
Tax Increment Financing (TIF)	\$ 74,360	0	0	0	74,360
Use of money and property	0	1,164	2,256	2,096	5,516
Miscellaneous	0	1,688	885	1,643	4,216
Total receipts	74,360	2,852	3,141	3,739	84,092
Disbursements:					
Culture & Recreation	0	0	0	2,906	2,906
Total disbursements	0	0	0	2,906	2,906
Excess (deficiency) of receipts over (under) disbursements	74,360	2,852	3,141	833	81,186
Operating transfers in (out), net	(123,755)	(28,951)	(7,500)	0	(160,206)
Net change in cash balances	(49,395)	(26,099)	(4,359)	833	(79,020)
Cash balances beginning of year	183,716	144,049	96,501	62,805	487,071
Cash balances end of year	134,321	117,950	92,142	63,638	408,051
Cash Basis Fund Balances					
Unreserved:					
Special Revenue	134,321	0	0	0	134,321
Capital project fund	0	117,950	92,142	0	210,092
Permanent fund	0	0	0	63,638	63,638
Total cash basis fund balances	\$ 134,321	117,950	92,142	63,638	408,051

See accompanying independent auditor's report.

CITY OF SUMNER
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Fire Station	June 17, 2004	1.5 to 3.95%	285,000
Streetscape & Refunding	August 01, 2005	3.5 to 4.3%	1,270,000
Solid Waste Disposal Note	January 20, 2009	4.25%	110,000
Total General obligation bonds and notes			
Revenue bonds:			
Sewer revenue bonds	October 27, 2003	3.25%	3,100,000
Total Revenue bonds			
Totals			

See accompanying independent auditor's report.

Schedule 2

Balance Beginning of Year	Issued during Year	Redeemed during Year	Balance End of Year	Interest Paid	Fees Paid	Interest Due and Unpaid
165,000	0	30,000	135,000	6,013	0	420
960,000	0	130,000	830,000	37,290	400	2,717
0	110,000	12,000	98,000	1,953	0	68
1,125,000	110,000	172,000	1,063,000	45,256	400	3,205
2,431,233	767	118,000	2,314,000	79,022	0	6,233
2,431,233	767	118,000	2,314,000	79,022	0	6,233
3,556,233	110,767	290,000	3,377,000	124,278	400	9,438

Schedule 3**City of Sumner****Bond and Note Maturities
June 30, 2009**

Year Ending June 30,	Fire Station \$285,000 Issued June 17, 2004		Streetscape & Refunding \$1,270,000 Issued August 1, 2005		Solid Waste Disposal Note \$110,000 Issued January 20, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.550%	30,000	3.650%	135,000	4.250%	24,000	189,000
2011	3.650%	35,000	3.750%	140,000	4.250%	74,000	249,000
2012	3.750%	35,000	3.850%	145,000			180,000
2013	3.950%	35,000	3.950%	150,000			185,000
2014			4.100%	85,000			85,000
2015			4.200%	85,000			85,000
2016			4.300%	90,000			90,000
Total		\$135,000		\$830,000		\$98,000	\$1,063,000

Sewer Revenue Bonds \$3,100,000 Issued October 27, 2003		
Year Ending June 30,	Interest Rates	Amount
2010	3.250% A	122,000
2011	3.250%	126,000
2012	3.250%	130,000
2013	3.250%	135,000
2014	3.250%	139,000
2015	3.250%	143,000
2016	3.250%	148,000
2017	3.250%	153,000
2018	3.250%	158,000
2019	3.250%	163,000
2020	3.250%	168,000
2021	3.250%	174,000
2022	3.250%	179,000
2023	3.250%	185,000
2024	3.250%	191,000
Total		\$2,314,000

A - Interest rate of 3% plus a service fee of .25% for a total of 3.25%

See accompanying independent auditor's report.

CITY OF SUMNER

City of Sumner

Schedule 4

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

For the Last Nine Years ended June 30, 2009

	2009	2008	2007	2006
Receipts:				
Property tax	\$ 610,021	531,673	581,249	571,683
Tax Increment Financing (TIF) receipts	74,360	205,281	104,111	32,267
Other city tax	185,125	186,583	162,488	146,654
Licenses and permits	5,865	4,811	5,081	6,920
Use of money and property	23,269	54,826	104,161	65,698
Intergovernmental	216,954	222,619	217,118	218,377
Charges for services	40,975	37,155	39,470	46,968
Bond proceeds	0	0	0	1,270,000
Miscellaneous	90,953	109,520	89,653	239,856
Total receipts	\$ 1,247,522	1,352,468	1,303,331	2,598,423
Disbursements:				
Operating:				
Public Safety	\$ 275,775	270,317	385,227	277,381
Public Works	212,305	195,663	207,944	234,852
Health & Social Services	3,600	0	0	0
Culture & Recreation	337,136	284,308	276,250	257,385
Community & Economic Development	0	0	0	0
General Government	159,297	155,188	130,564	159,763
Debt Service	217,656	209,282	209,408	633,691
Capital Projects	0	0	37,253	713,713
Total disbursements	\$ 1,205,769	1,114,758	1,246,646	2,276,785

2005	2004	2003	2002	2001
524,802	517,750	513,493	489,410	404,991
146,895	178,169	165,855	138,638	255,859
176,797	132,625	146,711	113,818	167,314
5,379	7,247	3,270	7,459	6,130
30,252	10,353	25,849	53,757	101,712
215,032	321,617	287,656	268,922	245,814
54,101	51,476	59,619	54,281	38,418
0	285,000	0	0	200,000
90,031	120,546	169,145	365,214	416,954
1,243,289	1,624,783	1,371,598	1,491,499	1,837,192

316,433	321,092	274,974	296,067	235,103
256,823	166,956	215,638	251,115	320,286
0	0	0	0	0
242,507	313,944	227,887	247,271	184,069
4,401	80,000	0	0	0
169,339	169,721	183,752	132,032	118,555
419,263	183,251	190,226	370,758	188,028
281,271	64,130	68,171	167,959	2,096,410
1,690,037	1,299,094	1,160,648	1,465,202	3,142,451

CITY OF SUMNER

CITY OF SUMNER

**Independent Auditor's Report
on Internal Control
over Financial Reporting
and on Compliance
and Other Matters Based
on an Audit of Financial Statements
Performed in Accordance
with Government Auditing Standards**



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A Professional Corporation

Roger L. Shaffer, C.P.A.

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

**To the Honorable Mayor and
Members of the City Council:**

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2009, which collectively comprise of the City's basic financial statements listed in the table of contents and have issued my report thereon dated May 27, 2010. My report expressed an unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Sumner's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Sumner's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Sumner's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sumner's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Sumner's financial statements that is more than inconsequential will not be prevented or detected by the City of Sumner's internal control. I consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Sumner's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-09 is a material weakness. Prior year significant deficiencies have been resolved except for item II-A-09.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sumner's financial statement are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Governmental Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the Accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of the statutes.

The City of Sumner's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Responses. While I have expressed my conclusions on the City's responses, I did not audit the City of Sumner's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sumner, and other parties to whom the City of Sumner may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Sumner during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

SHAFFER COMPANY, P.C.

Shaffer Company, P.C.

Sumner, Iowa

May 27, 2010

City of Sumner
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose a non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES

II-A-09 Segregation of duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all sometimes done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Sumner
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

III-B-09 Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the Culture and Recreation function. Chapter 384.18 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - While the budget was amended once during the year, it should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-C-09 Questionable Disbursements - No disbursements were noted for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Sumner
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting, Continued:

III-E-09 Business Transactions - Business transactions between the City and City officials or employees are summarized as follows:

Name, title, and business connection	Transaction description	Amount
Roger Burgart, Employee d/b/a Burgart Lawn Care	Spraying	\$3,907
David Meighan, Council Member d/b/a Meighan Drainage	Backhoe work	\$1,535
Mike Sattler	Lawn Care	\$1,055

The transactions above do not appear to represent conflicts of interest.

Competitive pricing was used for spraying with Burgart Lawn Care being the lower cost. This does not appear to represent a conflict of interest.

III-F-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-09 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

There were minutes that were not signed by the City Clerk and/or the Mayor as required.

Although most of the minutes of City proceedings were published, there were some that were not published and some that were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

City of Sumner
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting, Continued:

III-H-09 Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-I-09 Revenue Bonds and Notes - The City has complied with revenue bond and note resolutions.

III-J-09 Payment of General Obligation Bonds - The City properly paid for its general obligation bonds out of the Debt Service Fund. In addition to the debt payments, there was one expenditure from this fund for the purchase of a capital asset which is not allowed.

Recommendation - The City should record capital asset expenditures in the appropriate fund.

Response - The City will properly record its expenditures.

Conclusion - Response accepted.

III-K-09 Urban Renewal Tax Increment Fund - The Urban Renewal Tax Increment Fund (TIF) balance at June 30, 2009 is \$134,321 and appears to be an excessive amount.

Recommendation - The City should reduce future TIF Debt Certificate amounts to correct this overage.

Response - The City will implement a plan to reduce the cash balance of the TIF Fund on hand.

Conclusion - Response accepted.

III-L-09 Publication of City Ordinances - The City failed to properly publish ordinances as required by the Code of Iowa.

Recommendation - The City should publish new ordinances as required.

Response - We will publish ordinances as required.

Conclusion - Response accepted.

City of Sumner
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting, Continued:

III-M-09 Annual Financial Report - The City prepared the annual financial report for the fiscal year ended June 30, 2009. However, the report did not accurately reflect the activity of the City in regards to its Debt Service and Sanitation expenditures.

Recommendation - The Annual Financial Report should accurately reflect the activity of the City.

Response - The City will look into its options to correct this error after the City has received the audit for the year ended June 30, 2009.

Conclusion - Response accepted.


City of Sumner

Audit Staff

This audit was performed by:

Roger L. Shaffer, C.P.A., Owner & Manager of the Firm

SHAFFER COMPANY, P.C.

A handwritten signature in black ink, appearing to read 'R. Shaffer', is written over the printed name.

ROGER L. SHAFFER
Certified Public Accountant